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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

NEO4J, INC., a Delaware corporation,

Plaintiff,

v.

GRAPH FOUNDATION, INC., an Ohio
corporation,

Defendant.

CASE NO. 5:19-cv-06226-EJD

**NEO4J'S NOTICE OF MOTION AND
MOTION TO STRIKE; MEMORANDUM
OF POINTS AND AUTHORITIES IN
SUPPORT THEREOF**

Date: May 7, 2020
Time: 9:00 a.m.
Location: Courtroom 4, 5th Floor
Judge: Hon. Edward J. Davila

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NOTICE OF MOTION

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that on May 7, 2020, at 9:00 a.m., Courtroom 4, 5th Floor, at the United States District Court located at 280 South First Street, San Jose, CA 95113 before the Honorable Edward J. Davila, Plaintiff Neo4j, Inc. (“Plaintiff” or “Neo4j USA”) will, and hereby does, move to strike Defendant Graph Foundation Inc.’s (“Defendant” or “GFI”) (a) Fourth Affirmative Defense for Naked License Abandonment of Trademark; (b) Fifth Affirmative Defense for “Right to Fork and Use Neo4J Open Source under GitHub Terms of Service;” and (c) Sixth Affirmative Defense for Cancellation of Trademark Procured by Fraud in its Amended Answer to Complaint (Dkt. No. 31).

This motion is made pursuant to Federal Rule of Civil Procedure 12(f) on the grounds that such defenses are insufficiently pleaded, not legally cognizable defenses, and/or are immaterial and impertinent.

This motion is based on this Notice of Motion and Motion, the attached Memorandum of Points and Authorities, Declaration, Request for Judicial Notice, all records and pleadings on file in this action, and all other matters that the court may consider.

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Plaintiff Neo4j, Inc. (“Plaintiff” or “Neo4j USA”) is the industry leader in graph database solutions and software marketed and sold under the same registered trademark – NEO4J®. Defendant Graph Foundation Inc.’s (“Defendant” or “GFI”) forked NEO4J®-branded software and began offering as its own, calling it ONgDB and deceptively marketing it as being the equivalent of Neo4j USA’s current commercial-only version of the NEO4J® software. Neo4j USA filed its Complaint—sounding in trademark infringement and other related claims brought under the Lanham Act and California’s Unfair Competition Law—to stop the damage being done by GFI to Neo4j USA through these deceptive and illegal practices.

GFI’s original answer to the Complaint consisted of defenses that were not legally cognizable defenses to trademark infringement and/or lack the factual support necessary under *Twombly/Iqbal* heightened pleading standard to give Neo4j fair notice of GFI’s defenses. After Neo4j USA detailed these deficiencies, GFI filed its Amended Answer which still asserts several legally deficient defenses.

In particular, GFI’s Fourth Affirmative Defense asserts that Neo4j abandoned its NEO4J® trademark based on two theories that allegedly amount to “naked licensing” of that mark: (1) the mark used both as a company name and as a product name is “confusing” and (2) because Neo4j distributed NEO4J®-branded software via open source licenses called GPL and AGPL. Under the Lanham Act, a mark can only be deemed abandoned through discontinuation of use or through acts which cause the mark to lose its significance entirely as a function of indicator of origin. Of course here, NEO4J®, as a coined term, *only* has significance as an indicator of origin. GFI’s first theory is not legally viable because it not only fails to allege non-use or loss of significance, but it actually shows the mark’s strength and significance because the mark is being used in multiple contexts (i.e. as a product name and as a company name) for its intended purpose (i.e. Neo4j software is made by Neo4j). The second theory also fails as a matter of law because open source software licensing has been found to constitute an *intent to control* trademark rights, and not the relinquishment of rights that GFI asserts. No plausible reading of GFI’s allegations

1 under either theory would suggest that Neo4j USA’s rights in its trademark has been totally
 2 extinguished such that it ceases to function as an indicator of origin in the marketplace.

3 GFI’s Fifth Affirmative Defense claims that it has a “right to fork” NEO4J®-branded
 4 software because it was offered under an open source software distribution platform called
 5 GitHub. However, the vague allegations supporting are devoid of facts establishing how it would
 6 absolve GFI from incurring liability for trademark infringement or acts of unfair competition,
 7 rendering it insufficiently plead and immaterial and impertinent. Even if GFI could allege more
 8 specific facts – which it already had an opportunity to do so – a right to use open source software
 9 is not a legally cognizable defense to Lanham Act or UCL claims. Moreover, the very document
 10 that GFI relies upon for its defense—the GitHub Terms of Service—explicitly prohibits users
 11 who download software from GitHub from violating copyright and trademark laws. Thus, GFI’s
 12 “right to fork” theory is not a legally cognizable defense even under its own erroneous theory.

13 Finally, GFI’s Sixth Affirmative Defense seeks cancellation of Neo4j USA’s federally
 14 registered NEO4J® mark on the theory of fraud based on Neo4j allegedly claiming a date of first
 15 use prior to the company’s incorporation.¹ This defense consists of conclusory statements
 16 without pleading the requisite elements of knowledge, intent, reliance and damages required
 17 under the Federal Rule of Civil Rule 9(b)’s heightened requirements for pleading the
 18 circumstances of the fraud. Equally fatal to the defense is the Ninth Circuit’s finding that a
 19 trademark applicant’s claimed date of first use ***cannot constitute a material representation so***
 20 ***long as the first use in fact preceded the application date.*** GFI has never alleged in either its
 21 original answer or Amended Answer that Neo4j USA failed to use its trademark in commerce
 22 before it filed the trademark application, nor could they because judicially noticeable facts make
 23 clear that Neo4j USA was using the NEO4J® mark at least three years prior to such filing.
 24 Consequently, GFI has not and cannot state a legally viable defense for cancellation of the
 25 NEO4J® mark.

26 _____
 27 ¹ Neo4j USA denies that the use dates stated in the application for the NEO4J® Mark are
 28 inaccurate. Defendants ignore that this application indicated that these dates were based on use
 by Neo4j’s predecessor-in-interest whose use inured to the benefit of Neo4j USA.

1 In granting this motion, the Court should deny leave to amend because it would be futile.
 2 GFI was already put on notice through detailed written meet and confer of the deficiencies
 3 addressed in this Motion and had an opportunity to correct them. Despite adding additional
 4 “facts” in support of these affirmative defenses, none of them changed GFI’s foundational
 5 theories and the deficiencies remain fatal to its defenses. GFI simply has not (and cannot) allege
 6 additional facts that would save these legally deficient defenses. As such, the Court should strike
 7 GFI’s Fourth, Fifth and Sixth Affirmative Defenses with prejudice.

8 **II. REQUESTED RELIEF**

9 Neo4j USA respectfully requests that the Court strike the Fourth through Sixth
 10 Affirmative Defenses asserted in the Amended Answer filed by Defendant GFI pursuant to
 11 Federal Rule of Civil Procedure 12(f) (“Rule 12(f)”) and applicable case law, and deny leave to
 12 amend because additional pleading will not result in sustainable defenses.

13 **III. STATEMENT OF ISSUES TO BE DECIDED**

14 1. Whether GFI’s Fourth Affirmative Defense for Naked License Abandonment of
 15 Trademark amounts to a legally viable defense.

16 2. Whether GFI’s Fifth Affirmative Defense for “Right to Fork and Use Neo4J Open
 17 Source under GitHub Terms of Service,” is (a) adequately plead to satisfy the *Iqbal/Twombly*
 18 plausibility standard; (b) amount to legally cognizable defenses; and/or (c) consist of immaterial
 19 and impertinent matters.

20 3. Whether GFI’s Sixth Affirmative Defense for Cancellation of Trademark Procured
 21 by Fraud is adequately plead to satisfy Federal Rule of Civil Procedure 9(b)’s heightened
 22 requirements for pleading the circumstances of the alleged fraud.

23 4. Whether the Court should grant GFI leave to amend its Fourth through Sixth
 24 Affirmative Defenses.

25 **IV. PROCEDURAL AND FACTUAL BACKGROUND**

26 On October 1, 2019, Neo4j USA filed a complaint against GFI alleging infringement of
 27 Neo4j USA’s federally-registered trademark, NEO4J®, pursuant to 15 U.S.C. § 1114. *See* Dkt.
 28 No. 1 at ¶¶ 1, 38-50. Neo4j USA also asserted claims for unfair competition, false advertising

1 and false designation of origin under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and
 2 for substantial and related claims of unfair competition under the State of California’s Unfair
 3 Competition Laws, all arising from GFI’s unauthorized use of Plaintiff’s NEO4J® trademark.
 4 *See id.* at ¶¶ 51-71. On December 5, 2019, the Court ordered that this case be related to *Neo4j,*
 5 *Inc. and Neo4j Sweden, AB v. PureThink LLC, iGov Inc. and John Mark Suhy*, Case No. 5:18-cv-
 6 07182-EJD (“Related Case”). The two actions concern substantially similar issues, some of the
 7 same parties, software, and events and both of which arise from common trademark infringement
 8 claims.

9 Neo4j USA’s claims are based on GFI’s improper use of the NEO4J® mark in
 10 conjunction with the distribution, advertising, promotion, offering, and sale of its ONgDB
 11 software products. *See id.* at ¶¶ 18-37. This includes falsely and misleadingly suggesting that
 12 ONgDB is the equivalent of an authorized version of NEO4J®-branded software that is only
 13 available via a commercial license or is otherwise endorsed by Neo4j USA. *See id.*

14 On December 26, 2019, GFI filed its original answer to the complaint wherein it asserted
 15 the following affirmative defenses: (1) failure to state a claim; (2) unclean hands; (3) fair use of
 16 trademarks; (4) “Naked License Abandonment of Trademark;” (5) “Right to fork and use Neo4J
 17 Open Source under GitHub Terms of Service;” (6) “The addition of the commons clause is
 18 unlawful under the AGPL;” (7) “Plaintiff violated the AGPL;” and (8) “Cancellation of
 19 Trademark procured by fraud;” and (9) waiver. *See* Dkt. No. 25 at 5:14-7:12. These affirmative
 20 defenses either failed to meet the required pleading standards, did not constitute a legally
 21 cognizable affirmative defenses to any of Neo4j USA’s claims or failed as a matter of law.

22 On January 7, 2020, during a Rule 26(f) conference, counsel for the parties discussed the
 23 deficiencies with the affirmative defenses in GFI’s answer and Neo4j USA’s intention to file a
 24 Rule 12 motion to address those deficiencies. *Declaration of Cary Chien in Support of Neo4j’s*
 25 *Motion to Strike* (“Chien Decl.”), ¶ 3. At counsel for GFI’s request, Neo4j USA then sent a letter
 26 detailing the deficiencies in the original answer. *Id.* at ¶ 4. On the same day, the parties filed,
 27 and the Court granted, a stipulation extending the time for 14-days for Plaintiff to file a Rule 12(f)
 28 motion in order to give GFI time to further discuss the issues raised by Neo4j USA, and to file an

1 Amended Answer. *See* Dkt. No. 27.

2 On January 15, 2020, GFI confirmed that it would be amending its answer, and did so on
3 January 24, 2020 (“Amended Answer”). *See* Dkt. No. 31. While GFI’s Amended Answer
4 addressed some of the issues identified by Neo4j USA, and dropped several affirmative defenses,
5 significant factual and legal deficiencies remained on three affirmative defenses. In particular,
6 while more words were added to the Fourth Affirmative Defense for Naked License Trademark
7 Abandonment, the amendments did not change the substance of the theory alleged, as the
8 following comparison shows.

9 Fourth Affirmative Defense from GFI’s original answer:

10 Plaintiff claims it owns the Neo4j trademark but there is confusion whether that is
11 a company name trademark or a product name trademark. This confusion is
12 exacerbated by the fact that Neo4j Sweden asserts they own the software, not
13 plaintiff, and they use Neo4j as part of the company name and call the open source
14 software product Neo4j too. As Neo4j is licensed as open source software, there is
no ability to maintain quality control of how licensees modify, use, distribute or
convey the software. As a result, plaintiff has abandoned the Neo4j trademark
under the doctrine of Naked License.

15 Dkt. No. 25 at 7:1-9.

16 Fourth Affirmative Defense from GFI’s Amended Answer (new text bolded):

17 Plaintiff claims it owns the Neo4j trademark but there is confusion whether that is
18 a company name trademark or a product name trademark. This confusion is
19 exacerbated by the fact that Neo4j Sweden asserts they own the software, not
20 Plaintiff, and they use Neo4j as part of the company name and call the open source
21 software product Neo4j too. As Neo4j is licensed as open source software, **and, to**
22 **the knowledge of Defendant, Plaintiff has no right under the open source**
license to inspect or supervise the quality of the open source licensees’ work,
there is no ability to maintain quality control of how licensees modify, use,
distribute or convey the software. As a result, plaintiff has abandoned the Neo4j
trademark under the doctrine of Naked License.

23 Dkt. No. 31 at 7:3-10.

24 All that was added was a conclusory assertion and these allegations appear to be a
25 virtually verbatim copy of the same abandonment theory advanced by related defendants
26 PureThink, Inc., iGov, Inc. and John Mark Suhy in the related case. *See* Related Case, Dkt. No.
27 55 at ¶¶ 85-86.

28 Similarly, GFI’s amended Fifth Affirmative Defense also remains unchanged and merely

1 quoted from an excerpt from a provision in the GitHub Terms of Service, a document GFI had
 2 previously referenced in its original answer. Nothing in the provision quoted can be reasonably
 3 read to absolve GFI from the trademark and unfair competition claims at issue:

4 D. 5. If you set your pages and repositories to be viewed publicly, you grant each
 5 User of GitHub a nonexclusive, worldwide license to use, display, and perform
 6 Your Content through the GitHub Service and to reproduce Your Content solely
 7 on GitHub as permitted through GitHub's functionality (for example, through
 8 forking). You may grant further rights if you adopt a license. If you are uploading
 Content you did not create or own, you are responsible for ensuring that the
 Content you upload is licensed under terms that grant these permissions to other
 GitHub Users.

9 Dkt. No. 31 at 8:11-24; *compare* Dkt. No. 25 at 7:10-20.

10 GFI's amended Sixth Affirmative Defense—formerly its Eighth Affirmative Defense—
 11 also remained defective. Despite being put on written notice of the stringent requirements for
 12 pleading allegations of fraud pursuant to Federal Rules of Civil Procedure 9(b), GFI's amended
 13 Sixth Affirmative Defense for trademark cancellation based on fraud on the United States
 14 Patent and Trademark Office merely added a bare allegation—copied nearly verbatim from
 15 related defendant's counterclaim and defenses—which as a matter of law cannot constitute fraud
 16 because it is not a material representation under the judicially noticeable facts in this Motion.
 17 *Compare* Dkt. No. 31 at 8:25-9:4 and Related Case Dkt. No. 55 at ¶¶ 88-92.

18 **V. APPLICABLE LEGAL STANDARDS FOR MOTIONS TO STRIKE**

19 Federal Rule of Civil Procedure 8(b)(1) requires a party to “state in short and plain terms
 20 its defenses to each claim asserted against it.” Federal Rule of Civil Procedure 8(c) similarly
 21 requires that a party “affirmatively state any avoidance or affirmative defense.” The United
 22 States Supreme Court in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007), and *Ashcroft v.*
 23 *Iqbal*, 556 U.S. 662 (2009), set a heightened “plausibility” pleading standard for complaints.

24 Courts in this District have held that the heightened pleading standard for complaints
 25 articulated in *Twombly* and *Iqbal* applies to affirmative defenses. *See Perez v. Gordon & Wong*
 26 *Law Group, P.C.*, No. 11-CV-03323-LHK, 2012 WL 1029425, at *8 (N.D. Cal. Mar. 26, 2012)
 27 (collecting cases); *see also Hernandez v. County of Monterey*, 306 F.R.D. 279, 283 (N.D. Cal.
 28 2015) (recognizing that “[m]ost district courts in this circuit agree that the heightened pleading

1 standard of *Twombly* and *Iqbal*...is now the correct standard to apply to affirmative defenses”).
 2 “This standard ‘serve[s] to weed out the boilerplate listing of affirmative defenses which is
 3 commonplace in most defendants’ pleadings where many of the defenses alleged are irrelevant to
 4 the claims asserted.” *Perez*, 2012 WL 1029425 at *8. It “is also consistent with *Iqbal*’s
 5 admonition that fair notice pleading under Rule 8 is not intended to give parties free license to
 6 engage in unfounded fishing expeditions on matters for which they bear the burden of proof at
 7 trial.” *Id.* (citing *Iqbal*, 556 U.S. at 678–79). Thus, “[w]hile a defense need not include extensive
 8 factual allegations in order to give fair notice, bare statements reciting mere legal conclusions
 9 may not be sufficient.” *Id.* (internal quotation marks omitted). In order to satisfy Rule 8’s
 10 pleading requirements, “a defendant’s pleading of affirmative defenses must put a plaintiff on
 11 notice of the underlying factual bases of the defense.” *Id.* (citing *Dion v. Fulton Friedman &*
 12 *Gullace LLP*, No. 11-2727 SC, 2012 WL 160221, at *2 (N.D. Cal. Jan. 17, 2012)).

13 A motion to strike brought pursuant to Rule 12(f) serves “to avoid the expenditure of time
 14 and money that must arise from litigating spurious issues by dispensing with those issues prior to
 15 trial.” *SidneyVinstein v. A.H. Robins Co.*, 697 F.2d 880, 885 (9th Cir. 1983); *see also Fantasy,*
 16 *Inc. v. Fogerty*, 984 F.2d 1524, 1527 (9th Cir. 1993), *rev’d on other grounds*, 510 U.S. 517
 17 (1994). Thus, a defense may be stricken pursuant to Rule 12(f) as insufficient if it fails to give
 18 plaintiff “fair notice” of the defense. *Wyshak v. City Nat’l Bank*, 607 F.2d 824, 827 (9th Cir.
 19 1979); *accord Barnes v. AT & T Pension Benefit Plan–Nonbargained Program*, 718 F.Supp.2d
 20 1167, 1170 (N.D. Cal. 2010) (holding “defense is insufficiently pled if it fails to give the plaintiff
 21 fair notice of the nature of the defense”).

22 Rule 12(f) also permits a court to strike from an answer matter that is immaterial, i.e.,
 23 “that which has no essential or important relationship to the claim for relief or the defenses being
 24 plead,” or matter that is impertinent, i.e., that which does not pertain, and is not necessary, to the
 25 issues in question. *Fantasy*, 984 F.2d at 1527; Fed. R. Civ. P. 12(f). Motions to strike made on
 26 these grounds are generally disfavored and “should not be granted unless the matter to be stricken
 27 clearly could have no possible bearing on the subject of the litigation” or “unless prejudice would
 28 result to the moving party from denial of the motion.” *Platte Anchor Bolt, Inc. v. IHI, Inc.*, 352

1 F.Supp.2d 1048, 1057 (N.D. Cal. 2004) (citations omitted). “Ultimately, whether to grant a
 2 motion to strike lies within the sound discretion of the district court.” *Cruz v. Bank of N.Y.*
 3 *Mellon*, 2012 WL 2838957, at *2 (N.D. Cal. July 10, 2012) (citing *Whittlestone, Inc. v. Handi-*
 4 *Craft Co.*, 618 F.3d 970, 973 (9th Cir. 2010)).

5 For a court to grant a motion to strike, the grounds “must appear on the face of the
 6 pleading under attack or from matters of which the court may take judicial notice. *In re Apple,*
 7 *AT & T iPad Unlimited Data Plan Litig.*, No. C-10-02553 RMW, 2012 WL 2428248, at *2 (N.D.
 8 Cal. June 26, 2012); *accord In re New Century*, 588 F.Supp.2d 1206, 1220 (C.D.Cal.2008). “With
 9 a motion to strike, just as with a motion to dismiss, the court should view the pleading in the light
 10 most favorable to the nonmoving party.” *Platte Anchor Bolt*, 352 F.Supp.2d at 1057.

11 Affirmative defenses are insufficient as a matter of law where there are no questions of fact, any
 12 questions of law are clear and not in dispute, and under no set of circumstances could the defense
 13 succeed.” *Hernandez v. Cty. of Monterey*, 306 F.R.D. 279, 284-85 (N.D. Cal. 2015).

14 VI. LEGAL ARGUMENT

15 A. GFI’s Fourth Affirmative Defense for Abandonment is Legally Deficient

16 Under the Lanham Act, a mark can only be deemed “abandoned” when either of the
 17 following occurs: “(1) When its use has been discontinued with intent not to resume such use,” or
 18 “(2) When any course of conduct of the owner, including acts of omission as well as commission,
 19 causes the mark to become the generic name for the goods or services on or in connection with
 20 which it is used or otherwise to lose its significance as a mark.” 15 U.S.C. § 1127. Naked
 21 licensing falls under the second definition of abandonment because it is an “uncontrolled” license
 22 where the licensor “fails to exercise adequate quality control over the licensee.” *Barcamerica*
 23 *Int’l USA Trust v. Tyfield Importers, Inc.*, 289 F.3d 589, 595-96 (9th Cir. 2002). The proponent
 24 of a naked license theory “faces a stringent standard” of proof. *Id.* at 596.

25 GFI’s Fourth Affirmative Defense appears to consist of two theories of alleged
 26 abandonment of the NEO4J® mark. As discussed below, the first theory based on “confusion” is
 27 not a legally cognizable abandonment defense under 15 U.S.C. § 1127. The second based on
 28 open source licensing of NEO4J® branded products fails to set forth facts that meet “plausibility”

pleading standard under *Twombly* and *Iqbal*. Neither of these theories have changed substantively from GFI's original answer and neither satisfy the statutory requirement for abandonment under 15 U.S.C. § 1127. Compare Dkt. No. 25, 7:1-9 to Dkt. No. 31 at 7:3-10. The only words GFI added to this defense in its Amended Answer were "*and, to the knowledge of Defendant, Plaintiff has no right under the open source license to inspect or supervise the quality of the open source licensees' work,*" which is merely a conclusory legal assertion which adds no new facts to make the claim a cognizable one. Thus, granting leaving to amend would be futile.

1. GFI's "Confusion" Theory Does Not Constitute Abandonment Under the Lanham Act

GFI's first abandonment theory is that the use of "Neo4j" in multiple contexts—as a "product name trademark" and "company name trademark"—has confused **them** (and not the general public), and is allegedly "exacerbated" by Neo4j Sweden (Neo4j USA's Swedish subsidiary) being the owner of the copyright for the NEO4J® branded software. Dkt. No. 31 at 7:3-6. GFI's "confusion" is not a legally cognizable defense under the Lanham Act because it does not even suggest, let alone establish, any act of abandonment. The allegation shows use of the NEO4J® mark by Neo4j USA, not non-use, and therefore does not fit the first definition of 15 U.S.C. § 1127 which requires discontinuation of use with an intent not to resume such use. Confusion is not discontinuation and notably, GFI does not alleged discontinuation at all. GFI's "confusion" theory simply is not a factually or legally viable basis to support the defense.

The "confusion" allegation also does not fit the second statutory definition of abandonment because it has nothing to do with naked licensing, or even licensing in general. Critically, there is no allegation that the use of the NEO4J® mark as a company name and as a product name has caused the mark to become generic or otherwise lose its trade significance, the key requirement under the second prong of the statutory abandonment defense. To the contrary, GFI concedes that the mark is being used in at least one of the registered classes of goods. Dkt. No. 31 at 6:23-24 ("Defendant's use of the trademarks was and is a nominative fair use to 1) identify a software product called Neo4j...").

Moreover, that the NEO4J® mark is used as a product name and a company name

demonstrates its strength and significance because the mark is functioning as its intended purpose as an indicator of origin. The Ninth Circuit recognizes that corporate trade names are legitimate, legally protected uses. *Accuride Int'l, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1535 (9th Cir. 1989) (“[w]hether the name of a corporation is to be regarded as a trade-mark, a trade name, or both, is not entirely clear under the decisions. To some extent, the two terms overlap.... But the precise difference is not often material, since the law affords protection against its appropriation in either view upon the same fundamental principles.”); *see also Standard Oil Co. of N. M. v. Standard Oil Co. of Cal.*, 56 F.2d 973, 979 (10th Cir. 1932) (recognizing that a “corporate name or trade name identifies a corporation; it also identifies its business and the goods or services which it sells or renders”).

The “confusion” allegation simply does not amount to abandonment under any reasonable inferences drawn from the allegations. No plausible reading of GFI’s allegations would suggest the Neo4j mark has been abandoned and ceased to function as an indicator of origin. Instead, GFI’s sparse allegations show multiple uses of the NEO4J® mark and demonstrate the marks’ strength, not its diminution, let alone loss of the significance as a mark. Accordingly, GFI’s abandonment claim based on “confusion” fail as a matter of law.

2. GFI’s “Open Source Licensing” Theory Does Not Establish “Naked Licensing” Abandonment as a Matter of Law

Defendant’s second abandonment theory appears to be that that the distribution of software through open-source software licenses *ipso facto* means the licensor has abandoned its trademark. *See* Dkt. No. 31 at 7:6-10.

The open-source license that is the subject of GFI’s abandonment theory is the GNU General Public License (“GPL”) and the Affero General Public License (“AGPL”):

Because the open source software is under a GPL or AGPL license, and has over 100 contributors, Plaintiff may not be able to actually convert the GPL or AGPL license to proprietary software.

Dkt. No. 31 t 5:18-6:20.

The crux of GFI’s “open source licensing” theory—that there is “no ability to maintain quality control” because the software is licensed as open-source software—does not establish

1 abandonment under either definition of abandonment under the Lanham Act. It does not meet the
 2 first definition under 15 U.S.C. § 1127 because there are no facts alleged establishing that Neo4j
 3 USA discontinued use of the NEO4J® mark at any time. The allegation also fails to meet the
 4 second statutory definition because there is no allegation that this open source license has resulted
 5 in any loss of significance of the NEO4J® mark, the key requirement of abandonment under 15
 6 U.S.C. § 1127(2). Abandonment requires that the trademark cease to function but that is not
 7 what GFI has plead, nor can it.

8 GFI erroneously presumes that software distributed via open-source software licenses
 9 must mean the licensor has abandoned its trademark. This is not the law. Rather, open source
 10 software licensing has been found to constitute an *intent to control* trademark rights, not the
 11 relinquishment of rights. *See Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1198
 12 (11th Cir. 2001) (“[t]hat the Software had been distributed pursuant to a GNU General Public
 13 License does not defeat trademark ownership, nor does this in any way compel a finding that
 14 [trademark owner] abandoned his rights in trademark.”).

15 *Planetary Motion* is particular instructive in evaluating GFI’s naked licensing theory. In
 16 that case, Byron Darrah developed “Coolmail,” which was a software that provides email users
 17 with notice of new email. *Planetary Motion*, 261 F.3d at 1191. He distributed the software
 18 online under the same GPL open source license at issue here. *Id.* Several years later, defendant
 19 began offering an email service under the mark “CoolMail.” *Id.* In 1999, Darrah sold the rights
 20 in the software to Planetary Motion, who had in 1998 registered the mark “Coolmail” for its own
 21 email service. *Id.* at 1192. Planetary Motion then sued defendant for infringement of the
 22 Coolmail mark, as well as for infringement of the trademark rights it had been assigned by
 23 Darrah. *Id.* The district court granted summary judgment and permanent injunctive relief to
 24 plaintiff. *Id.*

25 On appeal, defendant argued it could not have infringed the Coolmail mark because
 26 Darrah had initially distributed it via the GPL, which divested him of any ownership rights in the
 27 mark. *See Planetary Motion*, 261 F.3d at 1198. The Eleventh Circuit disagreed, holding “[t]hat
 28 the Software had been distributed pursuant to a GNU General Public License does not defeat

1 trademark ownership, nor does this in any way compel a finding that Darrah abandoned his rights
 2 in trademark.” *Id.* Rather, defendant “misconstrue[d] the function of a GNU General Public
 3 License” and that “[s]oftware distributed pursuant to such a license is not necessarily ceded to the
 4 public domain.” *Id.* The fact that Darrah licensed the software under the GPL was instead
 5 *evidence of a desire to retain ownership rights.* *Id.* at 1198, fn 16.

6 Here, Defendants’ open-source licensing abandonment theory is also predicated on the
 7 same failed arguments regarding GNU GPL license that the *Planetary Motion* court found had
 8 not resulted in naked licensing. As in that case, the fact that NEO4J®-branded software was
 9 licensed under the GPL and AGPL itself is evidence of Neo4j USA’s efforts to control the quality
 10 of the mark in connection with the licensed products. This is because both the GPL and AGPL
 11 requires licensees who wish to copy, distribute, or modify the software to include a copyright
 12 notice and clearly identify the correct origin of any added code. *Planetary Motion, Inc.*, 261 F.3d
 13 at 1191 at fn. 16. Both licenses were drafted and published by the same organization—Free
 14 Software Foundation—and the AGPL is merely a modified variant of the GPL with all of the
 15 protections of the GPL plus an added requirement of for open-source software running on servers.
 16 Chien Decl., ¶ 11, RJN, ¶ 2. Consequently, the use of both the GPL and AGPL shows an *intent*
 17 *to control* trademark rights, not the relinquishment of rights. There is no automatic abandonment
 18 rule as GFI contends. And, of course, Neo4j USA’s trademark claims in this lawsuit are further
 19 evidence of its vigilant protection of the hard earned goodwill in its mark.

20 Abandonment is not an appropriate defense here because neither GFI’s “confusion” nor
 21 “open source” theories are legally cognizable defenses. Consequently, the Fourth Affirmative
 22 Defense for abandonment based on the doctrine of naked licensing fails as a matter of law.

23 **B. GFI’s Fifth Affirmative Defense Regarding “Right to Fork” Is Not A Legally**
 24 **Cognizable Defense**

25 For its Fifth Affirmative Defense entitled “[r]ight to fork and use Neo4J Open Source
 26 under GitHub Terms of Service,” GFI alleges in relevant part “By using a public repository at
 27 GitHub, the open source versions of Neo4j are subject to the GitHub Terms of Service which
 28 allow any user to use and fork the software....” Dkt. No. 31 at 7:13-14. The allegation then cites

1 to an excerpt from the GitHub Terms of Service concerning the rights associated with “forking”
 2 of open source software on GitHub. *See* Dkt. No. 31, 8:15-19.

3 GFI’s defense appears to be a declaratory relief claim, however, it is not a legally
 4 cognizable defense. Generally, “[a]ffirmative defenses plead matters extraneous to the plaintiff’s
 5 prima facie case, which deny plaintiff’s right to recover, even if the allegations of the complaint
 6 are true.” *G & G Closed Circuit Events, LLC v. Nguyen*, No. 10–168, 2010 WL 3749284, at *5
 7 (N.D.Cal. Sept. 23, 2010) (internal quotation marks omitted). GFI fails to allege facts that
 8 provide Neo4j with fair notice as to how this “affirmative defense” would deny Neo4j USA’s
 9 right to recover. GFI’s bare allegations do not allow Neo4j USA to pinpoint how the “right to
 10 fork” would absolve GFI from incurring liability for infringing the NEO4J® mark or engaging in
 11 unfair competition in violation of the Lanham Act or the California’s UCL. Thus, they fail to
 12 meet the *Twombly/Iqbal* pleading standard and should be stricken on that basis. *See Perez*, 2012
 13 WL 1029425, at *8; *Hernandez*, 306 F.R.D. at 283.

14 Additionally, GFI’s “right to fork” is not a legally cognizable defense because the GitHub
 15 Terms of Service that GFI references and relies upon *contradicts* this theory. Specifically,
 16 Section C, which is judicially noticeable, entitled the “Acceptable Use” policy of the Terms of
 17 Services states in relevant part:

18 **Your use of the Website and Service must not violate any applicable**
 19 **laws, including copyright or trademark laws**, export control or sanctions
 20 laws, or other laws in your jurisdiction. You are responsible for making sure
 that your use of the Service is in compliance with laws and any applicable
 regulations.

21 *See* Chien Decl., ¶ 5, RJN, ¶ 1 (emphasis added).²

22 GFI’s omission of Section C cited above is fatal to this defense because it expressly
 23 *prohibits* GitHub users who access software through GitHub from violating applicable laws
 24 “including copyright or trademark laws.” *Id.* In other words, while GFI may have forked Neo4j

25
 26 ² GFI cannot dispute that its Fifth Affirmative Defense cites to and is clearly dependent on the
 27 contents of the GitHub Terms of Service. The Court may therefore take judicial notice of the
 28 entire GitHub Terms of Service as it were incorporated by reference to GFI’s Amended Answer.
See In re Apple, No. C-10-02553 RMW, 2012 WL 2428248, at *2; *In re New Century*, 588
 F.Supp.2d at 1220.

USA’s software pursuant to the cited portion of the Terms of Service, the omitted portion of the GitHub Terms of Service makes clear that it is not absolved from liability for trademark infringement. *See Sprewell v. Golden State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001) (recognizing in determining whether a party has sufficiently pled a claim entitling it to relief, a court “need not... accept as true allegations that contradict matters properly subject to judicial notice or by exhibit”). When the Terms of Service is considered in its entirety, there is no reasonable interpretation of GFI’s “right to fork” theory that can absolve it from Neo4j USA’s claims for trademark infringement and unfair competition. Thus, it fails as a matter of law.

C. GFI’s Fifth Affirmative Defense Regarding “Right to Fork” Constitutes Impertinent and Immaterial Matters

Aside from not being legally viable, GFI’s Fifth Affirmative Defense also constitutes impertinent and immaterial matters. A matter is immaterial if it “has no essential or important relationship to the claim for relief or the defenses being plead.” *Whittlestone*, 618 F.3d at 974 (quoting *Fantasy, Inc.*, 984 F.2d at 1527); *accord Barnes*, 718 F. Supp. 2d at 1170. A matter is impertinent if it “consists of statements that do not pertain, and are not necessary, to the issues in question.” *Id.* In this regard, it is unclear from the bare allegations in the Amended Answer how this defense is relevant, let alone have an essential or important relationship to Neo4j USA’s claims that GFI’s unauthorized use of the NEO4J® mark in conjunction with the sale and advertising of its ONgDB software has caused consumer confusion in violation of 15 U.S.C. § 1114, or that GFI’s improper use of the NEO4J® mark in the promotion of its ONgDB software constitute a false designation of origin and false advertising in violation of 15 U.S.C. § 1125(a). Consequently, the Fifth Affirmative Defense may also be stricken as impertinent and immaterial.

D. GFI’s Sixth Affirmative Defense for Cancellation of the Registration for the NEO4J® Mark Fails to Establishing Any Purported Fraud in the Procurement Thereof and is Not a Legally Cognizable Defense

GFI’s original answer merely alleged in conclusory fashion that “[t]he Registered Trademark for NEO4J, Reg. No. 4,784,280, was procured by fraud. Because the registration was procured by fraud, the registration should be cancelled pursuant to 15 U.S.C. §1119.” Dkt. No. 25 at 8:5-9 (previous alleged as its Eight Affirmative Defense). The only new allegation that GFI

1 added to its Amended Answer to what is now its Sixth Affirmative defense is an allegedly false
 2 first use and use in commerce dates:

3 “The Registered Trademark for NEO4J, Reg. No. 4,784,280 was procured
 4 by fraud as the representation was that Neo Technology (a Delaware
 5 Corporation) (changed to Neo4J, Inc.) first used the trademark in 6-4-2006
 6 and in commerce in 5-28-2007. These statements are false as Neo
 7 Technology did not exist on those dates represented as the company was
 8 formed 7-7-2011 in Delaware under File Number 5007564. Because the
 9 registration was procured by fraud, the registration should be cancelled
 10 pursuant to 15 U.S.C. § 1119.”

11 Dkt. No. 31 at 7:27-8:4.

12 “Fraud in procurement of a trademark registration may be raised as a ground for
 13 cancellation in civil litigation, in which case it may function as a ‘defense’ to a claim of
 14 trademark infringement.” *eCash Techs., Inc. v. Guagliardo*, 127 F.Supp.2d 1069, 1079 (C.D. Cal.
 15 2000); *accord AirWair Int’l Ltd.*, 84 F.Supp.3d 943, 951–52 (N.D. Cal. 2015) (quoting same). In
 16 asserting a defense based on fraud in the procurement, however, GFI “bears heavy burden of
 17 demonstrating that a trademark should be cancelled.” *Hokto Kinoko Co. v. Concord Farms, Inc.*,
 18 738 F.3d 1085, 1097 (9th Cir. 2013). Thus, GFI must meet the heightened pleading requirements
 19 imposed by Federal Rule of Civil Procedure 9(b), which requires that allegations be “specific
 20 enough to give defendants notice of the particular misconduct which is alleged to constitute the
 21 fraud charged.” *Semegen v. Weidner*, 780 F.2d 727, 731 (9th Cir. 1985); *Aureflam Corp. v. Pho*
 22 *Hoa Phat I, Inc.*, 375 F.Supp.2d 950, 953 (N.D. Cal. 2005) (recognizing that Rule 9(b)’s
 23 heightened pleading requirement applies to claims of fraud in the procurement of trademarks).

24 To allege a claim of cancellation based on fraud in the procurement, GFI must allege with
 25 particularity: “(1) a false representation regarding a material fact; (2) the registrant’s knowledge
 26 or belief that the representation is false; (3) the registrant’s intent to induce reliance upon the
 27 misrepresentation; (4) actual, reasonable reliance on the misrepresentation; and (5) damages
 28 proximately caused by that reliance.” *Hokto Kinoko*, 738 F.3d at 1097 (citing *Robi v. Five*
Platters, Inc., 918 F.2d 1439, 1444 (9th Cir. 1990)); *accord AirWair Int’l Ltd.*, 84 F.Supp.3d at
 952 (quoting same). A false representation in the original trademark application may be grounds
 for cancellation **only** if all five of the above requirements are met. *Id.*

GFI's additional allegation still do not meet this heightened standard. GFI alleges no facts establishing any knowing and intentional act by Neo4j USA to deceive the USPTO. Simply alleging an inconsistency between the date of Neo4j USA's incorporation and the date of first use stated do not pinpoint Neo4j USA's knowledge, intent, or reliance that underlie GFI's theory of fraud. There are also no allegations of any damage suffered by GFI that gave rise to the alleged fraud defense. *See Aureflam*, 375 F.Supp.2d at 953 (recognizing that to "demonstrate fraud, a pleading must identify the 'time, place and nature of the alleged fraudulent activities'" (quoting *Moore v. Kayport Package Exp., Inc.*, 885 F.2d 531, 540 (9th Cir. 1989)); *see also In re Bose Corp.*, 580 F.3d 1240, 1243-45 (Fed. Cir. 2009) (holding that party seeking to cancel a trademark registration based on fraud must allege that defendant "knowingly [made] false, material representations of fact in connection with his application" and finding that "there is a material legal distinction between a 'false' representation and a 'fraudulent' one, the latter involving an intent to deceive, whereas the former may be occasioned by a misunderstanding, an inadvertence, a mere negligent omission, or the like.")). Accordingly, the GFI's allegations do not allow Neo4j USA to defend these charges of fraud with any particularity and fall short of both the basic pleading standard under *Twombly/Iqbal* and Rule 9(b)'s heightened requirements for claims and defenses sounding in fraud.³

Even if the allegations were sufficiently plead (which they are not), GFI's Sixth Affirmative Defense remains legally unviable. The Ninth Circuit has held that in order "to prove fraud that would result in the cancellation of [a federally registered] mark, there would have to be a material misrepresentation in the affidavit on the basis of which the mark was registered." *Pony*

³ Albeit unnecessary for this Court finding that Defendant's cancellation claim is not legally viable, it is worth noting that the claimed dates of first use for the NEO4J® mark are accurate because they were based on use by Neo4j USA's predecessor-in-interest whose use properly inured to the benefit of Neo4j USA. *See* 15 U.S. Code § 1127 ("The term 'related company' means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used."); 15 U.S.C. § 1055 ("Where a [] mark sought to be registered is [] used legitimately by related companies, such use shall inure to the benefit of the registrant or applicant for registration, and such use shall not affect the validity of such mark or of its registration...."); *see also* Trademark Manual of Examining Procedure § 903.05 ("If the first use anywhere or the first use in commerce was by a predecessor in title to the applicant, or by a related company of the applicant [] and the use inures to the benefit of the applicant....").

1 *Exp. Courier Corp. of Am. v. Pony Exp. Delivery Serv.*, 872 F.2d 317, 319 (9th Cir. 1989);
 2 *Teeter-Totter, LLC v. Palm Bay Int'l, Inc.*, 344 F.Supp.3d 1100 (2018). In this regard, a
 3 trademark applicant's claimed date of first use cannot constitute a material misrepresentation **so**
 4 **long as the first use in fact preceded the application date.** *Pony Exp.*, 872 F.2d at 319; accord
 5 *McCarthy on Trademarks and Unfair Competition* (2d ed.1984), 2, § 31:21 (citing same); *Angel*
 6 *Flight of Georgia, Inc. v. Angel Flight Am., Inc.*, 522 F.3d 1200, 1210 (11th Cir. 2008)
 7 ("misstatement of the date of first use in the application is not fatal to the securing of a valid
 8 registration as long as there has been valid use of the mark prior to the filing date").

9 Here, GFI does not allege that Neo4j USA failed to use the mark **prior to the filing date** of
 10 the application for that mark. Nor can GFI because there is no dispute, and it is a judicially
 11 noticeable fact, that Neo4j USA was using its mark long before its April 2014 application date.
 12 See Chien Decl., ¶¶ 6-10, 12; *RJN*, ¶¶ 3-5. Even accepting GFI's own allegations as true, the date
 13 of Neo4j USA's incorporation in Delaware was July 7, 2011, three years prior to the application
 14 date. Additionally, the Neo4j name was also used to offer NEO4J® branded software by the
 15 company on its publicly facing website after incorporating in 2011. *Id.* Neo4j was also doing so
 16 immediately before it filed the application for trademark. *Id.* These dates indisputably precede
 17 the NEO4J® mark's April 2014 application date and consequently, pursuant to *Pony Exp.*
 18 *Courier Corp. of Am* and *Teeter-Totter*, the alleged misrepresentation is immaterial and cannot be
 19 a basis to support GFI's fraud theory. Accordingly, even if GFI's allegations were true, the
 20 misstatement of the date of first use cannot amount to fraud under the circumstances here.
 21 Accordingly, the Court should strike GFI's Sixth Affirmative Defense as it fails as a matter of
 22 law.

23 **E. The Court Should Deny Leave to Amend**

24 When dismissing a claim or defense, "a district court should grant leave to amend even if
 25 no request to amend the pleading was made, unless it determines that the pleading could not
 26 possibly be cured by the allegation of other facts." *Lopez v. Smith*, 203 F.3d 1122, 1127 (9th
 27 Cir.200) (en banc) (internal quotes and citation omitted). Nonetheless, a court "may exercise its
 28 discretion to deny leave to amend due to 'undue delay, bad faith or dilatory motive on part of the

1 movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice
 2 to the opposing party ..., [and] futility of amendment.” *Carvalho v. Equifax Info. Servs., LLC*,
 3 629 F.3d 876, 892–93 (9th Cir.2010) (quoting *Foman v. Davis*, 371 U.S. 178, 182, 83 S.Ct. 227,
 4 9 L.Ed.2d 222 (1962)) (alterations in original).

5 The Court’s “discretion to deny leave to amend is particularly broad where plaintiff has
 6 previously amended the complaint.” *Cafasso, U.S. ex rel. v. Gen. Dynamics C4 Sys., Inc.*, 637
 7 F.3d 1047, 1058 (9th Cir. 2011) (quotation marks omitted). The Court also should not grant leave
 8 to amend “where doing so would be an exercise in futility.” *Low v. LinkedIn Corp.*, 900
 9 F.Supp.2d 1010, 1033 (N.D. Cal. 2012). The Court may deny leave to amend “if it determines
 10 that allegation of other facts consistent with the challenged pleading could not possibly cure the
 11 deficiency.” *Telesaurus VPC, LLC v. Power*, 623 F.3d 998, 1003 (9th Cir. 2010); *accord*
 12 *Missouri ex rel. Koster v. Harris*, 847 F.3d 646, 656 (9th Cir. 2017) (holding that an “amendment
 13 is futile when ‘no set of facts can be proved under the amendment to the pleadings that would
 14 constitute a valid and sufficient claim or defense’”) (citation omitted). Likewise, the Court
 15 should deny leave to amend where the facts are not in dispute, and the sole issue is a matter of
 16 substantive law. *See Albrecht v. Lund*, 845 F.2d 193, 195–96 (9th Cir. 1988).

17 Even though it was given an opportunity to do so, GFI’s Fourth Affirmative Defense for
 18 abandonment via naked licensing added no new facts and the a bare legal assertion it did add did
 19 not change the underpinning theory. GFI’s “confusion” and “open-source license” theory simply
 20 do not fit the theory abandonment and further amendments would be futile because no set of facts
 21 can be proved that would constitute a valid and sufficient defense under the Lanham Act’s
 22 statutory and case law rules for trademark abandonment.

23 Similarly, GFI’s Fifth Affirmative Defense based on “right to fork” also remained
 24 unchanged in substance and the Amended Answer merely quoted an excerpt from the Terms of
 25 Service that GFI had already cited in its original Answer. Nothing was added to this defense that
 26 could be reasonably read to support a theory that would absolve GFI from Neo4j USA’s
 27 trademark infringement and UCL claims despite being put on written notice of these deficiencies
 28 in the detailed January 8, 2020 meet and confer correspondence.

1 For its Sixth Affirmative Defense for fraud, GFI was also put on written notice of the
 2 stringent requirements for pleading allegations of fraud pursuant to Federal Rules of Civil
 3 Procedure 9(b). The allegation that GFI added—which it merely copied nearly verbatim from
 4 related defendants in the Related Case—concerned allegations that as a matter of law cannot
 5 sustain a theory of fraud on the USPTO because the statement is not a material representation.
 6 Thus, the theory cannot be cured and granting leave would be futile. *See Weisbuch v. Cty. of L.A.*,
 7 119 F.3d 778, 783 n.1 (9th Cir. 1997) (recognizing that a party may plead itself out of court
 8 where that party alleges facts establishing that it cannot prevail on its claim); *accord Minor v.*
 9 *FedEx Office & Print Servs., Inc.*, 78 F.Supp.3d 1021, 1026 (N.D. Cal. 2015) (citing same).

10 Accordingly, the Court should strike GFI's Fourth, Fifth, and Sixth Affirmative Defenses
 11 with prejudice and deny GFI leave to amend those defenses.

12 **VII. CONCLUSION**

13 For the reasons explained in this Motion, Neo4j USA respectfully requests that the Court
 14 grant this Motion to Strike GFI's Fourth, Fifth, and Sixth Affirmative Defenses, and to deny leave
 15 to amend as to each of these defenses.

17 Dated: February 7, 2020

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